

Kingston, NY: Congressman Maurice Hinchey (D-NY) today sent letters to the [New York State Department of Environmental Conservation](#) (DEC) requesting an examination of the mortgage rules governing gas drilling and how they will affect more than 1 million gas leases signed between shale gas drilling companies and property owners. A

[report](#)

in today's issue of

*The New York Times*

, and recent reports compiled by the Tompkins County Council of Governments' Task Force on Gas Drilling, raise serious questions about the compliance of gas leases with secondary mortgage lending requirements established by Government Sponsored Enterprises (GSE's) such as Fannie Mae and Freddie Mac. The rush to drill has created a state of confusion over the mortgage rules governing gas drilling leases, and now homeowners who have signed leases may find themselves in technical default of their mortgages, making it difficult to refinance or sell their property.

"I have had serious concerns and reservations over the rush to drill for shale gas since the very beginning," said Hinchey. "A lot of people have disagreed with that tendency towards caution, but now we're seeing what happens when you rush. Many homeowners who signed leases now have questions about their mortgages and their ability to refinance or resell their homes, because important information was not brought to their attention by drilling companies pushing to them to lease their land. To help sort out this problem, I've sent letters to federal and state regulators asking for a clarification of the mortgage rules, an examination of leases that have already been signed to determine the extent of violations that may have occurred, and new guidelines to help homeowners and local banks protect their own financial interests. Regardless of where everyone stands on this issue, we can all agree that this problem needs to be dealt with to protect homeowners and local banks."

According to a report by the Congressional Research Service, Fannie Mae and Freddie Mac require prior approval from a lending institution before a landowner can sign a lease to allow gas drilling on their property. However, drilling companies told *The New York Times* that they tell homeowners to seek bank approval before drilling activities begins, but not prior to signing a lease. In addition, Fannie Mae and Freddie Mac have above and below ground setback rules in their manuals, yet it is not clear if drilling companies are complying with these rules. There also appear to be concerns about New York's title insurance and appraisal rules. The Tompkins County task force found that standard title insurance will not protect against activities commonly undertaken during the shale gas drilling process. The task force also found problems with appraising property where gas leases have been signed, negatively affecting resale and refinancing prospects.

Hinchey has asked FHFA to determine to what extent mortgages owned or sold by Fannie Mae and Freddie Mac will be impacted by gas leases that are in breach of mortgage rules set by the GSEs. Hinchey has also asked FHFA to provide guidance for local banks. The congressman's letter to FHFA can be found [here](#).

Hinchey has asked the DEC to amend its draft Supplemental Generic Environmental Impact Statement (dSGEIS), which will guide new drilling activity in the state, to align its requirements with secondary lending institution rules covering oil and gas activity on mortgaged properties. These include pre-approval from banks before signing gas leases, minimum setback requirements from residential structures, prohibition on certain drilling and process equipment, title insurance requirements, property assessments, and more. The congressman's letter to the DEC can be found [here](#).

Hinchey is a leader in the effort to protect drinking water and the environment from the risks of hydraulic fracturing. He is a co-author of the FRAC Act, which would mandate public disclosure of chemicals used in frack fluid and allow the U.S. Environmental Protection Agency (EPA) to regulate fracking activities under the Safe Drinking Water Act. The congressman also authored the appropriations language that led to the current EPA study on hydraulic fracturing.

In June, Hinchey sent letters to the Securities and Exchange Commission (SEC) and the U.S. Energy Information Agency (EIA) questioning the manner in which both bodies have handled shale gas reserve estimates. The letters followed two concerning reports in *The New York Times*. One report revealed that rule changes and oversight problems at the SEC may have caused natural gas companies to overestimate their reserves. A separate report detailed the use of data from industry-biased sources and intra-agency disagreements regarding gas reserve estimates at EIA.